

MEMORANDUM

TO: Interested Parties
FROM: Senator Tom Harkin (D-IA)
RE: **Analysis of the U.S. House Budget Plan to Cut Social Security**
DATE: March 30, 2012

On Thursday, March 29, the U.S. House of Representatives passed a budget for the upcoming year on a largely party line vote. The plan sharply reduces the federal government's investments in education and infrastructure – investments that are necessary to ensure our country remains competitive in the global economy and generates jobs in both the short and long term. It makes huge reductions in spending that are largely offset by completely extending the Bush 2001 and 2003 tax breaks, which were targeted towards the very wealthy. This budget proposal is an unprecedented assault on middle class Americans who are already struggling to make ends meet.

While not directing immediate benefit cuts to Social Security, the plan would erode Social Security benefits in the short term while forcing deep benefit cuts in the long term, making it even harder for Americans to retire with dignity.

In the short term, by raising the Medicare Eligibility Age, the plan **would significantly increase out-of-pocket health care costs for Americans aged 65 and 66**. As a result, this would force these retirees to use more and more of their Social Security benefits to cover Medicare costs, making already stressed budgets even shakier.

In the long term, the plan would force deep cuts in benefits through misplaced policies like increasing the retirement age, means testing, and reducing annual Cost of Living Adjustments (COLA). By explicitly rejecting the most common-sense way of strengthening the program – lifting the wage cap so that all Americans pay equally on every dollar they earn – the plan necessitates significant Social Security benefit cuts.

In contrast to this pessimistic vision, which says America can't afford programs like Social Security, I have an alternative vision for a better future that will make retirement better for millions of Americans. That is why this week I introduced the **Rebuild America Act – an ambitious bill to help rebuild the American middle class**.

Among other policies, as part of the Rebuild America Act, I've included an ambitious Social Security proposal that stands in direct contrast to the cuts included in the House budget. My proposal would both increase Social Security benefits for current and future beneficiaries and greatly improve the financial stability of the program. It does so in the following way:

- Increasing the amount of earnings covered by higher replacement rates in order to increase benefits by approximately \$60-70 per month
- Changing the way the COLA is calculated so that it better corresponds to the typical expenses of seniors
- Removing the cap, currently \$110,100, that unfairly protects the highest earning Americans from paying into Social Security like the majority of hardworking Americans.

To read more on my bill, please click here: <http://harkin.senate.gov/help/middleclass.cfm>

All told, according to the Social Security Actuary, this proposal would extend the life of the Social Security Trust Fund to 2052 and decrease the long term funding deficit in half. Quite simply, we do not have to cut benefits to make the program stronger.

Social Security is the most successful program in our nation's history. It is not in crisis. With sensible steps, like those in my legislation, we can make the program stronger and help offer greater financial security for future generations.